

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY – DC45

FINAL ANNUAL BUDGETS
AND SUPPORTING
DOCUMENTATION





FINAL ANNUAL BUDGETS AND SUPPORTING DOCUMENTATION OF JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY – DC45

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PART 1 — DRAFT ANNUAL BUDGET

1.1. MAYORAL OVERVIEW: 2019/20 FINAL INTEGRATED DEVELOPMENT PLAN (IDP) & THE FINAL 2019/20 MTREF/ BUDGET

The final budget of the Municipality must be able in Council before 31 May 2019 for adoption.

As required by legislation, the Integrated Development Plan (IDP) was adopted by Council after consultation with stakeholders and addresses the challenges and achievements of the year under review.

Council continues to operate under strenuous financial conditions and thereby to do more with limited resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The Budget Steering Committee have worked hard to try and also assist in enforcing implementation of the cost containment to reduce expenditure in order to have our budget to comply the mSCOA regulations. Given the fact that we operate under limited resources, the municipality will have to do more with less and work harder and smarter. As a municipality we need to utilize our financial resources efficiently and effectively and also as part of the cost containment measures, reduce expenditure on non-essential services. For survival, the municipality will have to look at ways through which we can provide services and generate income in order to achieve being financially sustainable.

LINKAGES BETWEEN FINAL ANNUAL BUDGET, IDP AND THE POLITICAL PRIORITIES AT THE NATIONAL, PROVINCIAL, DISTRICT AND LOCAL MUNICIPALITIES

The process of reviewing the IDP was concluded during the IDP Lekgotla held on the 14 May 2019.

The participation process in the District Municipality depends on the participation of the Local Municipalities and sector departments. This is recognized in the Process Plan of each local municipality, which decide on its own process and where necessary the District Municipality provided assistance through its planning department. The municipality has aligned its priorities with the 14 national outcomes in the MTSF of the Government as based on the NSDP. Priorities are further aligned to the six KPA's for local government.

The following flowchart is an illustration of the alignment between these plans and the municipal priorities, KPA's, service delivery objectives, KPI's and annual targets.



SUMMARY OF ANY MATERIAL AMENDMENTS MADE TO THE FINAL ANNUAL BUDGET AFTER CONSULTATION PROCESS

There were no **material** changes made to the final budget after consultation with the community through public participation programme. The budget is zero-based meaning there is no deficit for the final budget 2019/20. The surplus amount of R1 951 000 is to fund the purchase of movable assets (Computer equipment, furniture and disaster management equipment).

Costs on the non-essential services (S&T, catering services, forums etc, have been minimized in the final budget 2019/20 with the aim to reduce expenditure. The reduction on non-essential services were done to comply with Circular 82 from National Treasury on cost containment measures.

- No changes were made to our Priorities, Vision, Mission and Values
- Employee related costs had a significant impact on the overall Final Budget and cost containment measures have been put in place.
- The Final Budget is aligned to be mSCOA reforms compliant
- Grant Management are being emphasised to spent fully and allocate funds as per DORA requirements
- Limited initiatives have been brought into the budget due to grant dependency
- introduction of the District Municipal Environmental Health Services tariffs
- Rental of investment properties at market value.

The following Mayoral programmes have been brought into the budget to serve the community as follows:

- Promotion of interest and rights of targeted groups
- Public Participation Programmes
- Civil Society Meetings for HIV/AIDS
- District Aids Council and Local Municipalities
- To govern municipal affairs

1.2. RESOLUTIONS

Council resolved as per resolution no 6.2.29/05/2019 as follows:

1. That in terms of section 24(1) of the MFMA the final budget for the 2019/20 and indicative of the two projected years 2020/2021 and 2021/22; and the capital appropriations be approved as set out in the Annual Budget tables A1 – A10 and supporting tables as contained in Annexure A
2. That in terms of section 24(2)(c)(v) of the MFMA, the following budget related policies for the budget year 2019/20 be reaffirmed:
 - a. Accounting policy
 - b. Supply Chain Management policy
 - c. Assets Management policy
 - d. Cash and investment policy
 - e. Subsistence and travel policy
 - f. Credit control and debt management policy
 - g. Impairment policy
 - h. Budget policy
 - i. Tariffs policy
 - j. Telephone/3G policy
 - k. Funding and reserves policy
 - l. Cellphone policy for Officials
 - m. Petty Cash policy
 - n. Expenditure Management policy
3. That a copy of the approved final budget in the prescribed format be submitted to National and Provincial Treasury.
4. That the tabled final budget for the 2019/20 MTREF be made public and submissions be invited from the local community

*(*Annexure A refers to the FINAL ANNUAL BUDGET Tables)*

1.3. EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the John Taolo District Municipality budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

In compiling this financial plan, priority was given to the service delivery departments namely Basic Services, Community Development Services and Local Economic Development (LED). The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes.

All views from the Local Municipalities, National and Provincial Treasuries and other relevant provincial and national departments has been considered and the municipality will also follow the requirements of Section 16 of the MFMA in compilation of this budget in order to present the final budget to all relevant stakeholders.

DEVELOPMENTAL CHALLENGES

The John Taolo Gaetsewe District Municipality faces huge developmental challenges, which revolve around finding ways to obtain additional funding sources to meet basic, social and economic needs of the people of John Taolo Gaetsewe District.

The main challenges experienced during the compilation of the 2019/20MTREF can be summarised as follows:

- a. To allocate limited funding to achieve a balance between the needs and requirements of the various strategic focus areas relevant to the Municipality's powers and functions as identified in the IDP consultative process. The municipality continues to be grant dependent with 93.6% of its budget being funded from grants and subsidies and the remainder revenue sources being expected from investments and the Local Municipalities (Audit and Risk Shared Services).
- b. Wage increases for municipal staff that continue to exceed the wage bill limitation and inflation, as well as the need to fill critical vacancies;
- c. Ability to provide support to Local Municipalities within the District, given limited capacity/resources in terms of funding
- d. The increase in total expenditure on salaries which continue to exceed the norm of 32% of the total budget
- e. The need to fill critical posts
- f. Grant dependency
- g. mSCOA MTREF is a challenge to all stakeholders due to change management and budgeting formats

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/20 Draft Budget:

DC45 John Taolo Gaetsewe - Table A1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial Performance										
Property rates	-	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-	-
Investment revenue	1 253	269	211	252	661	661	661	705	755	812
Transfers recognised - operational	77 437	74 824	80 535	95 277	98 370	98 370	98 370	98 657	99 136	103 641
Other own revenue	7 834	9 562	3 933	4 880	4 943	4 943	4 943	4 670	4 968	5 306
Total Revenue (excluding capital transfers and contributions)	86 524	84 655	84 678	100 409	103 974	103 974	103 974	104 032	104 860	109 758
Employee costs	54 557	49 724	44 562	61 930	58 521	58 521	58 521	64 184	68 453	73 176
Remuneration of councillors	4 542	4 014	4 837	4 145	4 177	4 177	4 177	4 388	4 689	5 040
Depreciation & asset impairment	3 513	3 200	3 139	2 955	5 066	5 066	5 066	3 575	3 829	4 116
Finance charges	787	706	896	-	-	-	-	-	-	-
Materials and bulk purchases	629	199	1 570	2 376	3 490	3 490	3 490	1 606	1 721	1 850
Transfers and grants	-	-	200	200	-	-	-	-	-	-
Other expenditure	38 751	26 188	32 802	28 234	29 511	29 511	29 511	28 327	26 169	25 577
Total Expenditure	102 778	84 031	88 007	99 839	100 764	100 764	100 764	102 081	104 860	109 758
Surplus/(Deficit)	(16 254)	624	(3 329)	570	3 210	3 210	3 210	1 951	(0)	0
Transfers and subsidies - capital (monetary allocation)	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(16 254)	624	(3 329)	570	3 210	3 210	3 210	1 951	(0)	0
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(16 254)	624	(3 329)	570	3 210	3 210	3 210	1 951	(0)	0
Capital expenditure & funds sources										
Capital expenditure	-	-	106	770	3 210	3 210	3 210	1 951	-	-
Transfers recognised - capital	-	-	-	92	681	681	681	330	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	106	678	2 529	2 529	2 529	1 621	-	-
Total sources of capital funds	-	-	106	770	3 210	3 210	3 210	1 951	-	-
Financial position										
Total current assets	29 849	25 715	21 054	25 568	27 996	27 996	16 295	7 461	7 383	7 385
Total non current assets	74 925	88 217	88 254	6 658	90 667	83 483	84 763	11 139	2 310	3 685
Total current liabilities	17 919	17 800	18 688	(380)	(380)	(380)	7 117	5 982	5 349	5 749
Total non current liabilities	7 504	5 330	5 632	5 330	5 330	5 330	5 330	-	-	-
Community wealth/Equity	79 350	90 802	84 988	27 276	113 713	106 529	88 611	12 618	4 344	5 321
Cash flows										
Net cash from (used) operating	-	(228)	25 419	4 725	5 897	2 859	2 859	2 859	(309)	(46)
Net cash from (used) investing	-	-	106	770	3 210	3 210	3 210	(1 951)	-	-
Net cash from (used) financing	-	-	-	-	-	-	(5 982)	-	-	-
Cash/cash equivalents at the year end	-	(228)	25 525	5 495	9 106	6 069	87	908	599	553
Cash backing/surplus reconciliation										
Cash and investments available	923	148	97	-	2 428	2 428	2 280	7 020	6 942	6 944
Application of cash and investments	15 228	14 698	11 584	(6 898)	(3 368)	(4 016)	(4 016)	5 612	4 978	5 377
Balance - surplus (shortfall)	(14 305)	(14 550)	(11 487)	6 898	5 796	6 444	6 296	1 408	1 964	1 567
Asset management										
Asset register summary (WDV)	-	-	2 672	700	1 174	1 174	1 174	2 326	1 580	1 680
Depreciation	3 513	3 200	3 139	2 955	5 066	5 066	5 066	5 066	3 575	4 717
Renewal and Upgrading of Existing Assets	-	-	106	127	2 514	2 514	2 514	1 430	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Total surplus of R 1 951 000 will be used to fund the capital expenditure for 2019/20 for the purchase of movable assets (vehicle, computer equipment, furniture and disaster management equipment).

OPERATING REVENUE FRAMEWORK

Section 18 of the MFMA i.e. for funding of expenditure states that:

"1. An FINAL ANNUAL BUDGET may only be funded from:

(a) realistically anticipated revenues to be collected;

(b) cash-backed accumulated funds from previous years' surpluses not committed

(c) borrowed funds, but only for the capital budget referred to in section 17(2)

2. Revenue projections in the budget must be realistic taking into account:

(a) projected revenue for the current year based on collection levels to date; and

(b) actual revenue collected in previous financial years."

For John Taolo Gaetsewe District Municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

It is evident from the below table that the municipality continues to be grant dependent, with all revenue sources that is mainly from the allocations as per DORA. The municipality experiencing challenges with regard to revenue enhancement as we do not direct services to the communities. Aggressive funding strategies needs to be developed in order to turn the situation around.

DC45 John Taolo Gaetsewe - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		85	90	106	216	124	124	124	128	134	141
Interest earned - external investments		1 253	269	211	252	661	661	661	705	755	812
Interest earned - outstanding debtors		999	1 540	1 143	-	432	432	432	461	493	530
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		77 437	74 824	80 535	95 277	98 370	98 370	98 370	98 657	99 136	103 641
Other revenue	2	6 750	7 932	2 683	4 664	4 387	4 387	4 387	4 081	4 341	4 634
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		86 524	84 655	84 678	100 409	103 974	103 974	103 974	104 032	104 860	109 758

Provision has been made in the 2019/20 draft SDBIP for the municipality to develop and implement the revenue enhancement strategy, which will take into consideration the following key components:

- National Treasury's guidelines and macroeconomic policy
- Municipality growth and continued economic development
- Determining the tariff escalation rate by establishing/calculating the revenue requirements for each service
- Increase ability to extend new services and recover costs
- Tariff policies of the Municipality

KEY AMENDMENTS TO BUDGET-RELATED POLICIES;

The following are budget related policies that were tabled in council, consultation on which is ongoing:

- a. Asset Management Policy
- b. Budget Policy
- c. Travel & Subsistence Policy
- d. Tariff Policy
- e. Credit Control and Debt Collection Policy
- f. Impairment Policy
- g. Supply Chain Management Policy
- h. Acting and Secondment Policy
- i. Leave Policy
- j. Study Assistance Policy
- k. Petty Cash Policy

The following budget related policies tabled for **reaffirmation**:

- l. Cash & Investment policy
- m. Expenditure Management policy
- n. Funding & Reserve policy
- o. Accounting policy
- p. Telephone policy
- q. Remuneration Policy
- r. Housing Allowance Policy
- s. Policy on the Renting of Council Facilities
- t. Catering Policy

1.4. FINAL ANNUAL BUDGET TABLES – *(Attached hereto)*

PART 2 — SUPPORTING DOCUMENTATION

2.1. OVERVIEW OF FINAL ANNUAL BUDGET PROCESS

The table below is a detailed further breakdown of the processes that unfolded during the 2018/19 financial year in preparation of budget and related documents for the 2019/20 financial year. It is both complimenting and detailing processes already provided for in the IDP/Budget and PMS Framework.

STAGES IN THE IDP/BUDGET/PMS PROCESS	PROCESS RESPONSIBILITY	TIME FRAME	PROGRESS
1.	ANALYSIS/PLANNING		
<ul style="list-style-type: none"> Re-establishment of the Budget Steering Committee and Technical Committee 	Executive Mayor	1 – 31 August 2018	Completed
Assessment: <ul style="list-style-type: none"> Assessment of the previous IDP/Budget performance, level of development, backlogs & disaster; Review previous year's processes, what worked well, what didn't, where to improve and issues to address for legislative compliance and completion of the Budget Evaluation Checklist (BEC); Human resources challenges & gaps. 	IDP Office/Budget Steering Committee	29 September 2018	Completed
2.	STRATEGY/ STRATEGISING		
<ul style="list-style-type: none"> Review budget related policies e.g. Tariff; Credit & Debtors control management, Rates, Indigent. 	Senior Management	December 2018 - February 2019	Completed
3	PROJECTS & INTEGRATION/ PREPARATION		
<ul style="list-style-type: none"> Revision of the 2018/2019 approved MTREF (operating and capital budget) for adjustments. 	Chief Financial Officer	November 2018 – 30 January 2019	Completed
<ul style="list-style-type: none"> Consolidation, integration and prioritisation of projects submitted in accordance with the IDP priorities. 	Chief Financial Officer	13 – 28 February 2019	Completed
<ul style="list-style-type: none"> Prepare draft budget for the ensuing year 2019/2019 and the projections for the two outer years (MTREF). 	All Departments	1 – 31 March 2019	Completed

<ul style="list-style-type: none"> Report on current year's budget implementation Mid-year budget and performance assessment sec 72 of the MFMA. (Second Quarter review). 	Municipal Manager / mSCOA Technical Committee	24 January 2019	Completed
4.	APPROVAL/TABLING		
<ul style="list-style-type: none"> Tabling of 2018/2019 adjustments budget before Mayoral Committee. 	Executive Mayor	February 2019	Completed
<ul style="list-style-type: none"> Tabling of the 2019/20 draft Budget to IDP/Budget Steering Committee 	Municipal Manager /CFO	March 2019	Completed
<ul style="list-style-type: none"> Workshop for Councillors on 2019/20 Draft Budget 	Budget Steering Committee	March 2019	Completed
<ul style="list-style-type: none"> Tabling of the 2019/20 draft Budget to Mayoral committee 	Municipal Manager /CFO	March 2019	Completed
<ul style="list-style-type: none"> Tabling of the 2019/20 draft operating and capital budget. Sec 16 (2) MFMA together with draft resolution and related policies before Council. 	Executive Mayor	30 March 2019	Completed
<ul style="list-style-type: none"> Make public the 2019/20 tabled draft budget in local newspapers, libraries, municipal offices and invite public representations. 	Municipal Manager /CFO	1 - 30 April 2019	Completed
5.	APPROVAL - BUDGET PROCESS		
<ul style="list-style-type: none"> Consolidation of feedback from public participation process and incorporation thereon into the final budget. 	Budget Office/ mSCOA Technical Committee	1 April – 4 May 2019	In progress
<ul style="list-style-type: none"> Present the consolidated Budget to the IDP/Budget Steering Committee 	Budget Office/ mSCOA Technical Committee	10 May 2019	In progress
<ul style="list-style-type: none"> Workshop for Councillors on final Budget 	Executive Mayor / Municipal Manager	16 May 2019	Completed
<ul style="list-style-type: none"> Presentation of final Budget to stakeholders 	Budget Steering Committee	22 May 2019	Completed
<ul style="list-style-type: none"> Tabling of final budget to Mayoral Committee. 	Municipal Manager	24 May 2019	Completed

<ul style="list-style-type: none"> Council to consider approval of the operating and capital budget for the 2019/2019 – 2020/2021 financial years (MTREF) in terms of section 24 of the MFMA with council resolution. 	Executive Mayor	31 May 2019	Completed
<ul style="list-style-type: none"> Submit the approved operating and capital to National and Provincial Treasuries in both printed and electronic copies and publish the documents in the website of the municipality. 	Municipal Manager	1 - 14 June 2019	Completed
<ul style="list-style-type: none"> Finalising of all plans and budget working paper files to implement the approved budget. 	CFO / MM	15 - 29 June 2019	In progress

2.2. THE OVERVIEW OF THE ALIGNMENT OF THE DRAFT ANNUAL BUDGET WITH THE INTEGRATED DEVELOPMENT PLAN

The Executive Mayor tabled in August 2018, the time schedule of key deadlines, progress on which is summarized on the table below:

Phases	Target/Activity	Approach	Time Frames	Progress to date	Comments
Preparation	Review and drafting of the 2019/20 IDP Framework and process plans in accordance with the relevant legislation	Inputs from departmental heads of both the district and local municipalities, then submission to council for adoption	Aug 2018	Complete	
	Consultations on the Review and adoption of the 2019/20 process plans	Consultations and adoption of the IDP framework/ process plans	Aug 2018	Complete	IDP Framework and Process Plan adopted by Council in August 2018.
		Consultations and adoption of the IDP framework/ process plans	29 Aug 2018	Complete	IDP Framework and Process Plan adopted by Council in August 2018.
		Consultations and	31 Aug 2018	Complete	IDP Framework

Phases	Target/Activity	Approach	Time Frames	Progress to date	Comments
		adoption of the IDP framework/ process plans			and Process Plan adopted by Council in August 2018.
	Consultations on the IDP Framework and Process Plans	District Planning Forum	Aug 2018	Complete	Meeting took place in September 2018
	Compilation and submission of Draft Annual and Performance Reports and Annual Financial Statements	Desktop	Aug 2018	Complete	Reports were submitted to both Council and AG in August 2018.
	Re-establishment of the Budget Steering Committee and Technical Committee		Aug 2018	Complete	
Analysis	<i>Status quo analysis: Community needs as submitted by the locals to the District</i>	<i>Needs analysis sessions with communities at wards. Local IDP Managers to submit the consolidated community needs/issues to inform the district situational analysis</i>	<i>Sept- Oct 2018</i>	Complete	
	IDP Context and Process	Desktop	Sept 2018	Complete	
	Cluster collaboration and analysis (Key Performance Areas)	Consultative meetings	Oct 2018	Complete	
		Basic Services and Infrastructure	01 Oct 2018	Complete	
		Community Development Services	02 Oct 2018	Complete	
		Economic Development Services	03 Oct 2018	Complete	
		Financial Viability	04 Oct 2018	Complete	
		Governance	05 Oct 2018	Complete	
		Institutional Transformation and Development	08 Oct 2018	Complete	
	Assessment of the previous IDP/Budget performance, level	Review previous year's processes, what worked well, what didn't, where to	09 Oct 2018	Complete	

Phases	Target/Activity	Approach	Time Frames	Progress to date	Comments
	of development, backlogs & disaster	improve and issues to address for legislative compliance and completion of the Budget Evaluation Checklist (BEC); Human resources challenges & gaps.			
	Quarterly Performance Review for 1 st Quarter 2018/19	Desktop	31 Oct 2018	Complete	Report adopted by Council in October 2018
	District Planning and IDP Representative Forum meetings	Consultative meetings	Oct 2018		
		Gamagara IDP Representative Forum	10 Oct 2018	Outstanding	Meeting scheduled for 28 January 2019 was postponed
		Joe Morolong IDP Representative Forum	11 Oct 2018	Complete	Meeting took place 21 November 2018
		Ga-Segonyana IDP Representative Forum	12 Oct 2018	Complete	Meeting took place on 02 November 2018
		District Planning Forum	18 Oct 2018	Complete	Meeting took place on 29 January 2019
		District IGR	25 Oct 2018	Complete	Meeting held in January 2019
Analysis	Presentation of the status quo to the various stakeholders/ structures involved in the IDP process	IDP Lekgotla	15-16 Nov 2018		IDP Lekgotla scheduled for 13 February 2019
Programmes & Strategies	Mid Term Budget and Performance Review and 2 nd Quarter Performance Review	Desktop	7 Jan 2019	Complete	Council adopted report on 24 January 2019
Strategies	Review/development of strategic priorities & objectives; Review/confirmation of municipal Vision & Mission; Alignment of LMs' priorities with	Strategic Planning Sessions for all municipalities (LMs/ DM)	Nov 2018 – Jan 2019	In progress	

Phases	Target/Activity	Approach	Time Frames	Progress to date	Comments
	those of DM.				
	Policy reviews	Review budget related policies e.g. Tariff; Credit & Debtors control management, Rates, Indigent.	December 2018 - February 2019	In progress	
	Cluster collaboration and Strategy formulation (Key Performance Areas)	Consultative meetings	Jan 2019	Complete	
		Basic Services and Infrastructure	07 Jan 2019	Complete	
		Community Development Services	08 Jan 2019	Complete	
		Development and Planning	09 Jan 2019	Complete	
		Financial Viability	09 Jan 2019	Complete	
		Governance	10 Jan 2019	Complete	
		Institutional Transformation and Development	11 Jan 2019	Complete	
	District Planning and IDP Representative Forum meetings (dealing with strategies and performance reporting)	Consultative meetings	Jan 2019	Outstanding	
		Gamagara IDP Representative Forum	15 Jan 2019	Outstanding	
		Joe Morolong IDP Representative Forum	16 Jan 2019	Complete	Meeting was held on 26 February 2019
		Ga-Segonyana IDP Representative Forum	17 Jan 2019	Complete	Meeting was held on 14 March 2019
		District Planning Forum	31 Jan 2019	Complete	The meeting was held on 06 March 2019
Projects	Review or identification of the projects in line with reviewed objectives and priorities, as well as reviewed/new sector plans	Departmental sessions to identify projects	Nov 2018 – Jan 2019	Complete	
		Revision of the 2018/2019 approved MTREF (operating and capital budget) for adjustments.	Nov 2018 – Jan 2019	Complete	
		Submit Demand Management Plans (Business Plans, including feasibility, and costing) to Budget and Treasury Office	Jan 2019	In progress	
	Presentation of municipal priorities to Departments Presentation of	District IGR	25 Jan 2019	Complete	Meeting was held on 22 February 2019

Phases	Target/Activity	Approach	Time Frames	Progress to date	Comments
	JTGDM projects by sector departments				
Integration	Draft Municipal Plans	Consolidation & confirmation of programmes/projects from departments (internal)	In progress	Complete	
		Consolidation & confirmation of programmes/projects from departments (external)	In progress	Complete	
		Prepare draft budget for the ensuing year 2019/2020 and the projections for the two outer years (MTREF).	Mar 2019	Complete	
		Issue notice of Council meeting to consider proposed IDP/Budget. Tabling of draft IDP/Budget to council. The tabled documents are sent to prescribed organs of state.	Mar 2019	Complete	
		Table Draft IDP, Budget, SDBIP in Council	Mar 2019	Complete	
		Adoption of Draft IDP, Budget, SDBIP	Mar 2019	Complete	The Draft IDP, Budget and SDBIP were adopted by Council on 28 March 2019
Integration	Draft Municipal Plans	Consultations on the drafts (both IDP & Budgets) to various stakeholders	April 2019		
			April 2019		
	Quarterly Performance Review for 3 rd Quarter 2018/19	Desktop	5 April 2019	N/A	
	District Planning and IDP Representative Forum meetings (dealing with integration and performance reporting)	Consultative meetings and IDP Roadshows	April 2019	N/A	
		Gamagara IDP Representative Forum	02 April 2019	N/A	
		Joe Morolong IDP Representative Forum	03 April 2019	N/A	
		Ga-Segonyana IDP Representative Forum	04 April 2019	N/A	

Phases	Target/Activity	Approach	Time Frames	Progress to date	Comments
		District Planning Forum	11 April 2019	N/A	
		District IGR	19 April 2019	N/A	
Approval	Final drafts to Political principals (structures)	Political inputs on the final draft Public comments and comments from other organs of state are taken into consideration and where necessary, amendments are made to the IDP/Budget. Draft Service Delivery and Budget Implementation Plans (SDBIP's) are compiled and submitted with Budget.	April 2019	N/A	
	Final drafts to individual Councils for approval	Final Adoption of the IDP's, SDBIP's and Budgets.	May 2019	N/A	
Submission to prescribed institutions	Submit final IDPs to prescribed institutions (Provincial and National Treasury, COGHSTA and SALGA) and make IDP's public.	Printed and electronic copies of the IDP, SDBIP and Budget to be submitted to prescribed institutions. Final IDPs Budgets and SDBIPs to be published in printed media and on respective municipal websites. Copies will also be availed to libraries in the District	June 2019 (within 10 days of adoption)	N/A	

2.3. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Attached hereto as Annexure A.

2.4. OVERVIEW OF BUDGET—RELATED POLICIES

The following policies were tabled in Council and the consultation process is to unfold:

- **ASSET MANAGEMENT POLICY**
- **BUDGET POLICY**
- **TRAVEL & SUBSISTENCE POLICY**
- **TARIFF POLICY**
- **CREDIT CONTROL AND DEBT COLLECTION POLICY**
- **IMPAIRMENT POLICY**
- **SUPPLY CHAIN MANAGEMENT POLICY**
- **ACTING AND SECONDMENT POLICY**
- **LEAVE POLICY**
- **STUDY ASSISTANCE POLICY**
- **PETTY CASH POLICY**

These policies will be available on the municipal website www.taologaetsewe.gov.za

2.5. OVERVIEW OF BUDGET ASSUMPTIONS

Great strides have been made to ensure alignment of the budget with the IDP, national and provincial priorities. The budget for the current MTREF aims to address strategic focus areas and primary objectives within the available resources as contained in the IDP.

- a. Recently released Budget Circulars No. 93 and 94 for 2019/20 MTREF dated 8 December 2018 and 8 March 2019 were also considered.
- b. MFMA: Municipal Budget and Reporting Regulations (MBRR) and MFMA: Regulations on Municipal Standard Chart of Accounts (mSCOA) were considered as the legislative framework
- c. No provisions for rates, taxes and surcharges were made as the municipality is not providing services directly to the community, **except for** those on the services provided by community and planning and development services.

The current cash flow, inclusive of the outstanding commitments and investments have been taken into account to compile the A7 - Cash Flow Statement.

2.6. OVERVIEW OF BUDGET FUNDING

A narrative summary of the funding of operating and capital expenditure:

DC45 John Taolo Gaetsewe - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		85	90	106	216	124	124	124	128	134	141
Interest earned - external investments		1 253	269	211	252	661	661	661	705	755	812
Interest earned - outstanding debtors		999	1 540	1 143	-	432	432	432	461	493	530
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		77 437	74 824	80 535	95 277	98 370	98 370	98 370	98 657	99 136	103 641
Other revenue	2	6 750	7 932	2 683	4 664	4 387	4 387	4 387	4 081	4 341	4 634
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		86 524	84 655	84 678	100 409	103 974	103 974	103 974	104 032	104 860	109 758

From the above it is evident that 94.7% of the budgeted revenue is constituted by grant funding.

Projected as other revenue, are management fees expected from the Audit and Risk Shared services to Gasegonyana and Joe Morolong Local municipalities. Given the challenges faced by the municipality in the past, which led to the municipality being faced with serious cash flow constraints, Council resolved to adopt a different approach towards this service, such as:

1. Only those municipalities that have entered into the service level agreement will enjoy the benefits of the shared services
2. Municipalities participating in the shared services are to first equally contribute towards the related expenditures, prior incurring same.

Also included are the newly introduced Municipal Health Services. Only the realistically anticipated projected revenue for these services has been provided for in the budget.

- **Particulars of the municipality's monetary investments**

The municipality's investment portfolio consists mainly of call accounts, due to the nature of the anticipated revenue i.e. conditional grants. Continued cash flow management processes will be implemented to ensure that cash reserves are maintained.

- **Particulars of planned proceeds from the sale of assets;**

Plans are currently unfolding, aimed at disposing the biological assets for purposes of generating revenue.

- **Particulars of planned proceeds from the lease of assets, where the period of the lease is three years or more;**

The municipality has revised its lease rental tariffs for its investment properties and projected to generate revenue amounting to R 1 165 790.

- **Particulars of budgeted allocations and grants to the municipality, distinguishing between operating and capital, from the national government,**

DC45 John Taolo Gaetsewe - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		73 394	73 651	84 379	98 030	98 030	98 030	103 086	104 601	111 985
Local Government Equitable Share		64 383	66 326	74 971	90 847	90 847	90 847	96 632	99 179	106 141
Finance Management		1 351	1 250	1 250	1 000	1 000	1 000	1 465	1 000	1 000
EPWP Incentive		1 975	1 252	1 000	1 000	1 000	1 000	1 088		
Infrastructure Skills Development Grant (ISDG)		3 000	3 000	3 200	3 200	3 200	3 200	1 800	2 200	2 500
Rural Roads Asset Management Grant (RRAMG)		1 755	1 823	1 979	1 983	1 983	1 983	2 101	2 222	2 344
Municipal Systems Improvement		930		1 979						
Other transfers/grants [Vanzylsrus and Khotsho Pula Nala]										
Provincial Government:		4 043	1 173	1 050	-	5 440	5 440	946	259	273
Housing		820	700	700	-	700	700	700		
Disaster Management and Emergency Services		512	210	350	-	240	240	246	259	273
HIV/AIDS Grant		348	204	-		500	500			
Other transfers/grants [Vanzylsrus and Khotsho Pula Nala]		2 363	59	-	-	4 000	4 000			
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	77 437	74 824	85 429	98 030	103 470	103 470	104 032	104 860	112 258
Capital Transfers and Grants										
National Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS OF TRANSFERS & GRANTS		77 437	74 824	85 429	98 030	103 470	103 470	104 032	104 860	112 258

The municipality, being a District Municipality, continues to be fully grant dependent, with 95% of its revenue being from grants and subsidies as indicated on the table above.

National Allocations

Unconditional Grants

Equitable Share (EQS)

The unconditional grant allocation has increased by 17% for the 2019/20 financial and is to slightly increase by 5% and 4% respectively for the two outer years.

Conditional grants

Finance Management Grant (FMS)

There is an increase on the grant allocation. This mainly due to the municipality having ensured that 100% of its allocation for the prior periods is spent.

Infrastructure Skills Development Grant (ISDG)

There is a decrease of R 1 400 000 the 2019/20 financial year. This puts more strain on the municipality's financial positions, also given that the funds were committed for the 2019/20 financial year.

Rural Road and Asset Management Systems Grant (RRAMS)

The allocation has increased by a mere 0.2% for the 2019/20 financial year and 5.5% and 5.6% for the two outer years.

Provincial Allocations

Housing Accreditation Grant

The allocation has not increased from the 2018/19 allocations.

NEAR

The allocation has decreased from R 388 000 to R 246 000 for the 2019/20 financial year.

2.7. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

The disclosure on expenditure on allocations and grant programs must provide particulars of planned expenditure against each allocation and grant in the same format as the information on allocations and grant receipts and a reconciliation of allocations, receipts and unspent funds.

2.8. COUNCILLORS' ALLOWANCES AND EMPLOYEE BENEFITS

Councillors

Remuneration of the Section 79 committee is now included as part of the councilors allowances in terms of version.6.3 of mSCOA.

Senior Managers

Provision has been made for the full complement of the senior managers' positions.

Other municipal staff

Included is provision the non-cash item i.e. provision for post-retirement benefit obligation

2.9. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

DC45 John Taolo Gaetsewe - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote																
Vote 1 - Finance & Admin		2 505	2 505	2 505	2 505	2 505	2 505	2 505	2 505	2 505	2 505	2 505	4 154	31 709	48 802	34 444
Vote 2 - Executive & Council		1 273	1 273	1 273	1 273	1 273	1 273	1 273	1 273	1 273	1 273	1 273	1 273	15 276	-	16 560
Vote 3 - Community and Social Services		620	620	620	620	620	620	620	620	620	620	620	620	7 439	7 744	8 070
Vote 4 - Internal Audit		335	335	335	335	335	335	335	335	335	335	335	335	4 018	4 045	4 341
Vote 5 - [NAME OF VOTE 5]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Planning and Development		1 158	1 158	1 158	1 158	1 158	1 158	1 158	1 158	1 158	1 158	1 158	1 158	13 891	11 027	11 715
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Health		633	633	633	633	633	633	633	633	633	633	633	633	7 599	7 907	8 237
Vote 13 - Housing		525	525	525	525	525	525	525	525	525	525	525	525	6 295	5 822	6 065
Vote 14 - Public Safety		183	183	183	183	183	183	183	183	183	183	183	183	2 191	2 280	2 375
Vote 15 - Finance & Admin 2		1 301	1 301	1 301	1 301	1 301	1 301	1 301	1 301	1 301	1 301	1 301	1 301	15 614	17 232	17 951
Total Revenue by Vote		8 532	8 532	8 532	8 532	8 532	8 532	8 532	8 532	8 532	8 532	8 532	10 181	104 032	104 860	109 758
Expenditure by Vote to be appropriated																
Vote 1 - Finance & Admin		2 024	2 024	2 024	2 024	2 024	2 024	2 024	2 024	2 024	2 024	2 024	5 772	28 035	28 502	28 788
Vote 2 - Executive & Council		1 317	1 317	1 317	1 317	1 317	1 317	1 317	1 317	1 317	1 317	1 317	1 317	15 799	16 671	17 779
Vote 3 - Community and Social Services		315	315	315	315	315	315	315	315	315	315	315	315	3 775	4 141	4 424
Vote 4 - Internal Audit		322	322	322	322	322	322	322	322	322	322	322	322	3 859	4 118	4 409
Vote 5 - [NAME OF VOTE 5]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Planning and Development		1 112	1 112	1 112	1 112	1 112	1 112	1 112	1 112	1 112	1 112	1 112	1 112	13 344	13 568	14 620
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Health		579	579	579	579	579	579	579	579	579	579	579	579	6 946	7 410	7 927
Vote 13 - Housing		302	302	302	302	302	302	302	302	302	302	302	302	3 624	3 125	3 339
Vote 14 - Public Safety		100	100	100	100	100	100	100	100	100	100	100	100	1 205	1 285	1 374
Vote 15 - Finance & Admin 2		2 124	2 124	2 124	2 124	2 124	2 124	2 124	2 124	2 124	2 124	2 124	2 124	25 494	26 040	27 098
Total Expenditure by Vote		8 194	8 194	8 194	8 194	8 194	8 194	8 194	8 194	8 194	8 194	8 194	11 942	102 081	104 860	109 758
Surplus/(Deficit) before assoc.		337	337	337	337	337	337	337	337	337	337	337	(1 761)	1 951	(0)	0
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	337	337	337	337	337	337	337	337	337	337	337	(1 761)	1 951	(0)	0

2.10. FINAL ANNUAL BUDGETS AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS —

Attached is the Service Delivery and Budget Implementation Plan (SDBIP) for the 2019/20 financial year – *Annexure B*.

This can also be obtained on the municipal website www.taologaetsewe.gov.za

2.13. LEGISLATION COMPLIANCE STATUS

Attached hereto as *Annexure C*.

2.14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

QUALITY CERTIFICATE

I **DISANG HUMPHREY MOLAOLE**, Municipal Manager of **JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY – DC45**, hereby certify that the DRAFT ANNUAL BUDGET and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the DRAFT ANNUAL BUDGET and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name

Municipal manager of **JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY – DC45**

Signature

Date